

Message Text

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ACTION AGR-08

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FM AMEMBASSY LONDON

TO SECSTATE WASHDC IMMEDIATE 6201

INFO USMISSION EC BRUSSELS PRIORITY

AMEMBASSY BONN PRIORITY

AMEMBASSY THE HAGUE PRIORITY

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PASS AGRICULTURE FOR HUME FROM GOODMAN

E.O. 11652 N/A

TAGS: EAGR, UK

SUBJECT: MEETING WITH MAFF OFFICIALS AND UK TRADE RE
1974-75 IMPORT REQUIREMENTS FOR FEEDGRAINS

BEGIN SUMMARY: HAD MEETING WITH MAFF OFFICIALS INCLUDING
MINISTER PEART AND TRADE TO DISCUSS ACTUAL UK GRAIN
IMPORT REQUIREMENTS. THE CONSENSUS WAS THAT, DESPITE
REDUCTIONS IN LIVESTOCK NUMBERS, USAGE OF GRAIN AND
ANIMAL FEED WOULD NOT BE DOWN THIS YEAR IN THE UK DUE
MAINLY TO REDUCED AVAILABILITY OF FODDER SUPPLIES.
VIEWS ON THE LEVEL OF EC IMPORTS OF FEED GRAINS FROM U.S.
WERE MIXED FROM LESS THAN LARDINOIS'S ESTIMATE TO PERHAPS
SUBSTANTIALLY HIGHER. END SUMMARY.

1. THE MINISTRY GAVE US SOME UPDATED FIGURES FOR GRAIN
PRODUCTION, IMPORTS AND FEED USAGE. FOR FY 1975 IN THOU-
SAND METRIC TONS THE NEW NUMBERS ARE:

	PRODUCTION	IMPORTS	FEED USAGE
WHEAT	6000	3700	3600

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CORN	5	2700	1000
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SORGHUM	--	350	250
BARLEY	9050	700	7200
OATS	1000	20	760

TOTAL FEED USAGE OF GRAINS IS FORECAST BY THE MAFF AT ABOUT 300,000 TONS MORE THAN LAST YEAR, WITH A SHARP INCREASE IN WHEAT UTILIZATION PARTIALLY OFFSET BY A DROP IN CORN UTILIZATION.

2. GENERAL THINKING WAS THAT GRAIN USAGE IN THE BEEF SECTOR WILL BE ABOUT THE SAME AS LAST YEAR; USAGE IN THE DAIRY SECTOR WILL BE SIGNIFICANTLY HIGHER THAN LAST YEAR BECAUSE OF EARLIER BEGINNING OF WINTER FEEDING PROGRAM AND A GREATER INCENTIVE TO FEED THAN LAST YEAR DUE TO THE RECENT 20 CENTS PER GALLON PLUS 5 PERCENT EC AWARD. WHILE THE LAYER FLOCK IS DOWN, THEY LOOK FOR A RAPID RECOVERY, FOLLOWED BY BROILERS IN LATE WINTER. THE PIG SECTOR WOULD RECOVER MORE SLOWLY WITH A TURN ABOUT EXPECTED ABOUT MAY/JUNE.

3. WHILE THE UTILIZATION OF TOTAL GRAINS IN LIVESTOCK CONSUMPTION IN THE UK WERE BELIEVED BY BOTH OFFICIALS AND TRADERS TO BE AT LEAST THE SAME AS LAST YEAR OR SLIGHTLY HIGHER, THE AMOUNT OF GRAIN IMPORTED FOR FEEDING WOULD BE DEPENDENT UPON: (A) THE SIZE OF THE UK WHEAT CROP OF WHICH THERE IS DIFFERING OPINIONS. AS NOTED IN PAR. 1 MAFF IS NOW ESTIMATING THE UK WHEAT CROP AT 6 MILLION TONS. SOME TRADERS EXPRESSED SKEPTICISM THAT IT WAS THAT LARGE AND MENTIONED A RANGE OF 5.5 TO 5.8 AS MORE LIKELY. (B) THE AVAILABILITY OF FRENCH CORN AND FRENCH WHEAT FOR IMPORT INTO THE UK. CONCERN WAS EXPRESSED THAT FRENCH GRAINS WERE BEING BOTTLED UP BY DOMESTIC TRADERS IN FRANCE AND THAT FRENCH GRAIN PRICES PARTICULARLY CORN LANDED UK, WERE NOT COMPETITIVE WITH U.S. CORN, DUE BOTH TO STRENGTHENING PRICES IN FRANCE AND THE WEAKENING OF THE BRITISH POUND RELATIVE TO THE FRENCH FRANC. (C) THE SIZE OF THE SOUTHERN HEMISPHERE CORN CROP FOR SHIPMENTS BEGINNING LATE JAN./EARLY FEB. ON.

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4. MAFF OFFICIALS STRONGLY QUESTIONED OUR ESTIMATE OF CORN EXPORTS TO THE UK OF 900,000 TONS FOR THE ABOVE REASONS. THEY INDICATED THAT THEY HAVE PURCHASED THRU JULY 900,000 TONS U.S. CORN AND 787,000 FROM OTHER ORIGINS. THIS WOULD LEAVE A REQUIREMENT OF AN ADDITIONAL MILLION TONS TO BE BOUGHT AND THEIR FEELING WAS THAT 300-400,000 TONS OF THAT WOULD HAVE TO COME FROM THE U.S. UNLESS THE SITUATION WITH RESPECT TO FRENCH GRAIN

CHANGES.

5. IN THE UK, FEED COMPOUNDERS HAVE FAIRLY WELL COVERED
THEIR REQUIREMENTS THRU MARCH, BUT HAVE VERY LITTLE COV-

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PASS AGRICULTURE

ER BEYOND. BECAUSE OF CONTROLS BY THE PRICE COMMISSION,
THERE IS VERY LITTLE INCENTIVE TO START COVERING THE
APRIL FORWARD POSITION AT THIS TIME.

6. FODDER SUPPLIES IN THE UK ARE DOWN ABOUT 9.5 PERCENT
THIS YEAR COMPARED TO LAST. HAY SUPPLIES ARE OFF ABOUT
2 MILLION TONS AND LOWER IN QUALITY THAN LAST YEAR;
STRAW PRODUCTION IS DOWN AROUND 1/2 MILLION TONS AND
OTHER FODDER CROPS ARE OFF SLIGHTLY OVER 1 MILLION TONS.

7. IF THE MAFF WHEAT PRODUCTION AND IMPORT FIGURES ARE
ACCEPTED, WHEAT FEEDING WOULD HAVE TO AMOUNT TO 4.1 MIL-
LION TONS, OR AN INCREASE OF 1 1/2 MILLION OVER LAST
YEAR, IN ORDER TO HOLD CARRYOUT STOCKS AT CARRYIN
LEVELS. THIS LEVEL OF WHEAT FEEDING WOULD BE SEVERAL
HUNDRED THOUSAND TONS OVER THE RECORD LEVEL IN FY 73

WHEN LARGE DENATURING PREMIUMS WERE PAID.

8. THERE WAS SKEPTICISM BOTH ON THE PART OF MAFF OFFICIALS AND SOME TRADERS THAT THE EC'S ESTIMATE OF IMPORTS OF 7.6 MILLION TONS FROM THE U.S. OF WHICH 7 MILLION WOULD BE CORN WAS CURRENTLY CORRECT. OBSERVED LIMITED OFFICIAL USE

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VARIATIONS WERE PRIMARILY BASED ON THE SIZE OF THE FRENCH CORN CROP HAVING DETERIORATED SINCE THE EC ESTIMATE WAS MADE. THE TRADERS GENERALLY BELIEVE THAT THERE WAS A SUFFICIENT SUPPLY OF GRAINS FOR LIVESTOCK FEED IN THE COMMUNITY THAT WOULD RESULT IN A SUBSTANTIAL REDUCTION IN THIRD COUNTRY FEEDGRAIN IMPORTS THIS YEAR COMPARED TO LAST. THEY WERE, HOWEVER, UNWILLING TO PUT A NUMBER ON WHAT THEY WOULD EXPECT THE IMPORTS TO BE WITH THE EXCEPTION OF THE MANAGING DIRECTOR OF TRADAX, UK. TRADAX'S OVERALL EC ESTIMATE OF IMPORT REQUIREMENT FOR CORN IS 8.8 MILLION TONS FROM ALL ORIGINS WITH 6.7 MILLION FROM THE U.S.

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